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'Fallout Money' Being Funneled Through CIA

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The Air Force intelligence staff has funneled money through the CIA and the State Department to bypass regulations intended to control year-end spending and promote competition in contracting, according to Air Force officials and internal memos.

The memos indicate that Air Force intelligence officials again this year hope to award outside research contracts by channeling unbudgeted funds near the end of the fiscal year—"fallout money," in Pentagon terms—through the CIA.

"Apparently, new regulations designed to encourage competitive contract negotiation do not apply to CIA," the deputy director of estimates for Air Force intelligence said in a Feb. 8 memo. "This makes CIA the logical agency to place USAF fallout monies we might obtain."

Some of the funds would be awarded without competition to Air Force weapons manufacturers such as Boeing and Lockheed, which would be hired to study weapons production in the Soviet Union, according to the memos.

Other funds might be awarded on a non-competitive basis to universities or "think tanks" whose leaders in some cases have connections with Air Force officials. The memos were given to the Project on Military Procurement, a non-profit organization that is frequently critical of Defense Department spending, which made them available to The Washington Post.

Air Force officials said yesterday that similar memos could be found in almost any agency and that they do not reflect any improper activity. They said that Air Force intelligence spent about \$750,000 in each of the past two fiscal years, mostly through the CIA and some through the State

Department, when it obtained funds too late in the fiscal year to go through the normal Air Force contracting process.

"The actions of the Air Force in obligating money for research were entirely legal and appropriate," said Air Force spokesman Maj. Ron Rand.

Air Force officials noted that the CIA, the Defense Intelligence Agency and individual military service intelligence agencies share an interest in following and analyzing world events.

They said that the results of outside research projects commissioned by one agency are often shared in the intelligence community and that federal law encourages agencies with shared interests to enter into joint contracts.

Officials also said that while everyone tries not to return unspent funds to the U.S. Treasury each year, no money is spent on useless projects. They noted that the Air Force in some cases cannot obligate funds after July, while the CIA can sign contracts through Sept. 30 when the fiscal year ends.

"We're confronted by a cumbersome system that because of its size is less responsive and so makes it difficult to use the full 12 months of the year to obligate funds that we have coming to us," one official said. "There are other methods available to us that may on their face look devious but have stood the test of time and stood the test of law."

Officials at the University of Pittsburgh, which is in line to get a major contract without having to go through competitive bidding, said the issue of CIA funding never came up in discussions with the Air Force.

"The issue of CIA funding we knew nothing about, we are very negatively surprised about," said Burkart Holzner, director of the university's Center for International Studies. "The whole purpose of the project is to enlighten public debate on international issues, and the purpose of that would be undermined if it had anything to do with undercover or classified work, and the CIA suggests that."

Rand said yesterday that the Air Force hopes to award Pittsburgh a contract on a non-competitive basis but has no plans to do so through the CIA. The university's foreign affairs experts would be commissioned to write 15- to 20-page papers on topics such as "Philippines After Marcos" or "Israel Under a Labor Government" for about \$36,000 per study, according to a very preliminary budget estimate.

The chancellor of the University of Pittsburgh, Wesley W. Posvar, is a retired Air Force colonel. Its senior research associate, Harold Hitchens, also is a retired Air Force colonel who the Air Force said is a friend of Maj. Gen. James C. Pfautz, the head of Air Force intelligence.

Both the university and the Air Force said yesterday that the associations were not a factor in the Air Force choosing the university.

Such suggestions are "patently false," Rand said. He said the university "best met our needs" in expertise, organization and data base after discussions with other universities including Stanford, Duke and the University of Texas.

Holzner also said he believes Pittsburgh was selected for its experience. "In the field of international issues, we are not a minor university," he said.

Pfautz recommended in a February memo that a small think tank in Alexandria, Abbott Associates Inc., be awarded a contract to study "Syrian Vulnerabilities and Strengths."

The Air Force said yesterday that Pfautz has a "long-term professional relationship and personal friendship with Paul Jureidini," the Abbott vice president who submitted the unsolicited Syrian proposal.

The Air Force also said, however, that Pfautz's recommendation was based on Abbott's "unique expertise" and not on his friendship with Jureidini. Jureidini said Abbott submitted its proposal "across the government" because of its expertise in Middle East affairs. He said he has not received a reply.